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2 July 1962

MEMORANDUM FOR THE RECORD

There was a meeting at 1000 on Friday, 29 June, in the Executive Office Building attended by the following:

From the Bureau of the Budget - Messrs. Bell, Staats, Amory, and Pettibone

From CIA

- Mr. McCone, General Carter, John Bross, and [redacted]

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Mr. Bell stated that in looking ahead to the 1964 budget, the Government was faced with increased defense spending, especially in the missile program. The President made it clear that no department or program was sacred. Mr. Bell stated that he understood that in accordance with General Carter's letter CIA had stated its intentions of remaining within the 1963 budget level of spending. Mr. McCone made the point that he had been involved in Government budgets on and off for some 15 years, and that he was a strong supporter of the idea of eliminating marginal programs in order to make room for new ones. He regarded the Bureau of the Budget as facing a real challenge in a changing situation and that it was necessary to maintain a close check on all Federal spending because of its impact on our economy.

Mr. Bell expressed the President's concern about our balance of payments problem, stating that the President now requires the Department of Defense and AID to submit to the President personally those items which had an impact on the balance of payments. The Bureau of the Budget is preparing a projection based on both total dollar and exported dollar spending. Mr. Bell asked if CIA had ever analyzed its budget from the point of view of its impact on the balance of payments. Mr. McCone agreed that the Agency should undertake such an analysis, looking specifically at overseas procurements, salaries for foreign nationals, salaries for US nationals and transportation costs. General Carter pointed out that the removal of functions and persons from overseas areas back to headquarters would complicate the staffing problem at headquarters about which the Bureau of the Budget was also concerned.

Action: CIA Comptroller will perform said analysis of the CIA budget.

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In response to a question by Mr. Bell about BOB projection of budget estimates, the DCI made the point that the DDCI and the Comptroller were pursuing a continuing review to lop marginal operations off the bottom so that top priority projects would receive the proper attention and the Agency would try to maintain its present limits of spending. Mr. Brass made the point that much of our budget is determined by outside forces such as projects approved by the Special Group and the Sigint effort over which CIA is not the master, and by the overhead reconnaissance program. In short, we are obliged to provide expensive services to outside customers. Mr. McCone stated that the present figure of [ ] was an objective 25X1A1A. He guessed that it would probably increase and that the medium range figure as projected by BOB was probably more realistic for future planning. Mr. McCone expressed his concern about the growth of DIA, citing a report that NSA had told Dr. Killian that the Sigint effort was planning to expand from its present level [ ] in the immediate future. Mr. McCone agreed that he personally, with appropriate staff help, would move in on this problem. He indicated that there was a new climate, citing the appointment of General Sanford as Chairman of the Sigint Committee, and of General Blake as the new Director of NSA.

Mr. McCone made the point that the Secretary of Defense and Mr. Gilpatric were making a strong effort to maintain DIA at its present force level at the expense of reducing individual service agencies. Mr. Amory expressed concern about duplication among DIA and the individual services and Mr. McCone stated that USIB representation would probably remain as it is for another six months, noting that General Carroll presently has a paper before the JCS which would authorize him as the production authority for DOD. There was some discussion of the pace with which the DCI ought to assert his authority to exercise leadership and effective guidance in the intelligence community. It was agreed that the DCI would attend a joint meeting with the Secretary of Defense and the BOB on this overall question.

There was a discussion of the problem of financing the joint projects with specific reference to OXCART and communications for the Department of State.

Action: DCI to discuss with Secretary McNamara the problems of long-term budget planning for the intelligence community.

There was a general discussion of the photographic interpretation problem and Mr. Amory stated that there was a move afoot to establish a separate DIA PIC. Mr. Bell asked for general observations on joint funding and joint facilities. DCI pointed out that this should be examined on a case-by-case basis and in the case of OXCART, it should proceed along its present lines largely because of the security problems involved. Mr. Bell pointed out that in the 1964 budget, CIA would face the problem of sustaining operational costs on behalf of the United States Air Force. There was some discussion of the cover problem on the OXCART program.

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BOB raised a question of the NRO which was described as a "two-headed monster." Mr. McCone observed that the NRO would work satisfactorily so long as the present personalities were in place, but he stated that the center of gravity on satellite reconnaissance was gradually shifting to the DOD. He stated his opinion that NRO and NSA must be established with direct lines to the Secretary of Defense on the grounds that reconnaissance and Sigint were both wider and deeper than any DIA authority or responsibility.

Mr. Amory asked if we could project a "reasonable" reconnaissance program. The DCI said that we were engaged in weighing requirements and needs against risks and that the present pace seemed to be about right.

The BOB raised again the question of the Sigint Committee and the role which the DCI should play in this problem. The DCI cited General Blake's authority and experience and reminded BOB about the establishment of General Sanford. DCI pointed out that the DOD is the executive agent for Sigint and noted that he was not satisfied with the DOD management of NSA. As an aside, Mr. Amory proposed that we have much closer relations with the [ ] 25X1C8A [ ] on Category 3 Comint, recognizing that this was a professional problem for the Agency to deal with because of the security risks. The Bureau of the Budget raised the question of clandestine activities by the service agencies. Mr. McCone thought that present ground rules for coordination were adequate and that the services should build a clandestine capability. Mr. Amory said it was not a question of control, but a question of ability [ ] which had produced no reports considered worth using in CIA publications.

BOB raised the question of duplication of mapping services. It was agreed that this was not a DCI responsibility.

On the question of watch offices and indications centers, the DCI and DDCI offered clarification of the role of NIC as a staff of the Watch Committee as contrasted with normal alerting functions and the role of the DIA indications center.

Action: CIA to send Mr. Amory papers on NIC-CIIC relations.

There was some discussion of the DOD work on a national command and control system involving Defense Communications Agency (DCA), [ ] 25X1A5A1 [ ] and the Baker Panel.

25X1A9A Action: [ ] to check with [ ] to ensure that our 25X1A9A considerable capability has been given due weight.

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25X1C On the question of reserves, the DCI stated that the use of the reserve fund was clearly understood to be for emergencies and for unforeseen needs.



Action: DCI wants report on the progress of the NPIC building. Kirkpatrick will handle.

Action: DCI wants a cost figure on a satellite launch. John Bross will handle.

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